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AUTHOR Alisberg, Helene R.
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ABSTRACT

Trends suggest that 11 million children in the United States will need day care services by 1995. Presently, corporations provide child care support through subsidies to low income employees or through community facilities, parent education, and information and referral (I & R) services. Such support results in reduced rates of absenteeism and turnover and improved work attitudes and recruitment. The public need for assistance in child day care services has been formally acknowledged through the legislative process. The 1981 Economic Recovery Tax Act and the Dependent Care Assistance Program provide tax relief for the provision and use of child day care services. Of available service options, I & R services are a primary step for corporate involvement and offer the most cost-effective mechanism for providing such support to employees. A model I & R service is the Corporate Consortium for Child Care in Hartford, Connecticut. In this operation, technical expertise is provided under a service contract with INFO LINE, a community I & R agency. Additionally, parent seminars are provided by an early childhood education specialist under a contract with the nonprofit regional education coordination agency. A child care representative within each of the participating corporations assists employees with procedures for child day care placements, using regularly updated computerized data based on lists of licensed centers and day care homes. (RH)

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PUBLIC/PRIVATE PARTNERSHIP - A COST
EFFECTIVE MODEL FOR CHILD DAY CARE SERVICES

by

Helene R. Alisberg

Program Director

UNITED WAY OF CONNECTICUT

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THE NEED

The number of women currently in the work force reached startling historic highs, reflecting an increase of 60 percent during the last decade. In 1982, 52 percent of all women in the U.S. were in the work force and are estimated to reach 65 percent by 1995.¹ There were approximately 47 million in 1981, compared to 32 million in 1971.² The labor force reflected 59 percent³ of all mothers with school age children in 1982, compared to 18 percent in 1950; 50 percent with pre-school children in 1982, compared to 12 percent in 1950.⁴

Decreased buying power as a result of inflation; high interest rates for loans and mortgages; escalating tuition fees for education; an uncertain future during periods of recession and high unemployment are among the multiple factors which contribute to an economic need for a second income in a family. In 1980 there were approximately 25.6 million dual income families in the U.S., an increase of 25 percent from 1970. Two-thirds of dual income families identified in 1980 were parents of dependent children.⁵ During this decade, families with one working parent and one remaining in the home fell from 44 percent to 31 percent.⁶ It is anticipated that by 1990, no more than 14 percent of two parent families in the U.S. will have only one working parent.⁷

Societal trends to postpone marriage and childbirth and to reduce family size allow for career establishment prioritization. The pre-1970 pattern, when women more commonly married early and withdrew from the labor force after childbirth is now being reversed. Currently, mothers tend to remain in the labor force and return to work shortly after childbirth. College educated women and those who have been high achievers in the work place are likely

to remain in the work force. In 1981, 58 percent of women with four years or more of college were in the work force.⁸

Fifty-five percent (32 million) of all children under 18 and 46 percent (8.5 million) of all children under six had a mother in the labor force in 1982.⁹ It is estimated that there are 1,000,000 child day care slots presently available¹⁰ with approximately 7.5 million children requiring services. By 1995, despite a declining birth rate, 11 million children will need day care services.¹¹

Divorce rates have soared during the last decade. The Census Bureau Study, "Marital Status & Living Arrangements, March 1981" found that in 1981, 109 of every 1,000 couples in the U.S. divorced, compared to 47 of every 1,000 couples in 1970. Twenty percent (12.6 million) of all children under 18 lived in a one parent household, an increase of 53.9 percent in the last decade.¹² Ninety percent of all single parent households are headed by women, 61 percent of whom are in the labor force. Of the single female head of household group in the labor force, 75 percent is the only earner in the family.¹³

Distribution of income to single parent families headed by women is lower than two parent families or single parent families headed by men. Figures obtained for 1979 indicate that 4 of 5 female heads of household earned \$15,000 per year or less, while only 1 of 3 male heads of household and 3 of 10 two parent households were within this range of income.¹⁴ In 1980, overall median income for married couple households was \$23,000, single male head of household was \$17,740, and single female head of household was \$10,230.¹⁵

Relationships involving the extended family are eroding and parents generally cannot look to other family members as an option for child care. Friends, neighbors, aunts, cousins, grandparents, among the informal network of what were traditional child care providers are no longer commonly available since they, too, are likely to be among those who have migrated to the work force. Utilization of out of home and/or group child care services tripled between 1958 and 1980.¹⁶

Based upon the number of parents, single or married, who are now in and will enter the work force, the need for services emerges.

THE PROCESS

Industries utilizing employees in occupations traditionally held by women are among those corporations providing some kind of child day care services. Most of these are in hospitals or service industries, such as banks and insurance companies. Dana Friedman of the Center of Public Advocacy in New York, concludes in Dun & Bradstreet Reports that the provision of day care services by employers is congruent with their goal to recruit and retain a labor pool in short supply, such as nurses and clerical workers.¹⁷

Corporate support for child care covers a spectrum of options which may include the provision of an on-site center; direct cash subsidy to low income employees to cover day care expenses; subsidies to an existing community facility to reserve slots for employees; parent education seminars; and information and referral services.

Problems attributable to inadequate child day care arrangements interfere with productivity and create increased personal stress. Day Care services are known to impact directly upon the rates of absenteeism. Turnover is found to be reduced and the availability of day care support services acts as a tool for recruitment. Two years after an on-site center was provided by Intermedics, a medical high technology industry in Freeport, Texas, 60 percent reduction in turnover was noted. A Hickory, N.J. manufacturer, in an industry characterized by 250 to 300 percent annual turnover, attributed the virtual elimination of turnover in that facility to the provision of child day care services.¹⁸

Control Data in Minneapolis conducted a study of a corporate consortium day care model of 90 subjects over a two year period. Findings indicated that the absentee rate for parents with children participating in child day care was 4.5, compared to 6.2 for non-participating parents. The turnover rate was 1.7 for participants, compared to 6.3 for non-participants. Of the 90 subjects studied to determine the impact of day care on absenteeism and

turnover rates, one-third were parents participating in day care, one-third were non-participating parents, and one-third had no children.¹⁹

Results of the 1978 Survey & Analysis of Employer Sponsored Day Care in the U.S., as part of the doctoral dissertation by K.S. Perry of the University of Wisconsin-Milwaukee, indicate that studies of 58 organizations sponsoring day care, there was a 57 percent lower job turnover; 72 percent lower absenteeism rate; 55 percent improved work attitudes and 88 percent improved recruitment.²⁰

Findings of the most recent study of National Employer Supported Child Care, relating child day care benefits to absenteeism, turnover, and recruitment is about to be released. Preliminary results reported by project director, Sandra Burud of Pasadena, California, indicate a dramatic drop in turnover and that their employer's survey points out child day care's positive effect on absenteeism and recruitment. Included in this study is virtually every employer in the U.S. offering some form of day care.²¹

Enactment of the 1981 Economic Recovery Tax Act included child day care benefits as a tax deductible business expense. On-site facilities, cash subsidies, purchase of reserved slots in an existing facility, parent education seminars, and information and referral services all qualify as deductible business expenses for employers.

The Dependent Care Assistance Program under this legislation provides that cash subsidy benefits paid to employees for child care expenses that are work related are not considered part of gross income and are not subject to federal income tax or FICA for that employee.

Working parent families are now entitled to deduct 5 percent of the first \$30,000 of the lower earner's salary (\$1,500 maximum deduction) against 1982 income. Any portion of cash subsidy paid by employer for child care will not qualify for an employee's tax deduction. A two parent family, with one parent not working is exempt from child day care tax deduction benefits. Expenses qualifying for employee's personal income tax exemption may be related

to child care in the parent's home, another person's home, child day care center, or family day care home.

An additional option for tax relief related to child day care costs is the reduced salary plan which permits an employee to structure his/her income at a reduced level, applying the salary differential to child day care services. In effect, the employee pays for child care services out of tax free dollars earned. Salary reduction plans to finance child day care services may place the employee in a lower tax bracket. The lower salary structure may impact upon potential salary increases if calculated in percentages of actual salaries paid and reduced pension plan contributions and benefits, etc.²²

Tax saving plans are geared to provide relief to middle income families who are burdened with high costs for child day care. Tax savings offer minimum assistance to low income families whose tax brackets are generally low. Nevertheless, the public need for assistance in child day care services is formally acknowledged through the legislative process. Financial relief provided through tax credits is an improvement over none at all and it offers an inducement for employers to participate in support for child day care services within the framework of allowable deductions.

The traditional view that corporate benefits must be offered to all employees equally became a non-issue once the federal government recognized the legitimacy of child day care as a business benefit. The introduction of a flexible benefit package, also known as the "cafeteria" approach to benefits, permits employees to choose within a given dollar amount benefits that are most necessary to meet individual needs. Under the cafeteria plan, health and dental plans, pension funds, disability insurance, and child day care benefits are not equally valued by all employees. The younger employee is more concerned with an immediate need for child day care and is less concerned about long range plans for retirement.

Changed approaches to uniform benefits for all employees eliminates the waste of under-utilized and unnecessary benefits

and permits the employee to obtain benefits that satisfy. The advantage to the employer is that most of the individual employee needs are satisfied in a particular package and controlling the amount of dollars spent for benefits.

Costs for child day care are low compared to health, dental, retirement and other benefits. Child day care needs are relatively short term in the tenure of an employee, while all other employee benefits continue for the entire life span of employment.

Child day care services are more than corporate "do goodism." Employers are reshaping personnel policies to create an environment for reduced stress to parents who are employees. There is "Employer Readiness" to understand that child day care needs require corporate involvement. Flexible benefit packages remove previous conflicts of interest within personnel department policy. In order for the corporation to support child day care services, there must be an understanding of the benefit to the company as well as to the employees. Child care issues are known to impact upon productivity, and are a cost effective expenditure. The degree of corporate support reflects what the corporation seeks as a return on its investment.

On-site day care is the most costly option to industry. Anne Costello, assistant professor of Insurance at the University of Hartford, in Connecticut, estimates start up costs for on-site facilities to run as much as \$2,000 per child. Direct cash subsidies and/or subsidized reserved slots in existing facilities are a lower cost option and particularly significant for low income employees.²³ (Employees at Polaroid earning less than \$25,000 per year qualify for participation in the direct cash subsidy).²⁴

WHY I&R?

The need for child day care services was established among Hartford, Connecticut's downtown industries. Need was corroborated by a survey conducted by the Junior League in seven Hartford companies. 16,350 Surveys were distributed; of the 6 percent who responded, 20 percent were from employees within the childbearing

age group (20-45). A consortium of four companies, Connecticut Bank & Trust Company, Hartford National Bank (now known as Connecticut National Bank), Hartford Steamboiler Inspection & Insurance Company, and The Travelers Insurance Companies, was formed to address the expressed needs for day care services. Under the consortium structure, various child care options were studied which included a downtown day care center site within easy access of the four participating companies; a network of family day care homes under consortium supervision; parent counseling services; and Information and Referral. A downtown center and family day care home network were eliminated because of high costs. I&R and parent education services were selected as a one year pilot project. The technical expertise to produce the child care information and referral service is provided under a service contract with INFO LINE, the community I&R agency. Parent seminars are provided by an early childhood education specialist under a contract with the non-profit regional education coordination agency. A child care representative within each of the personnel departments of the consortium corporations has been assigned to assist employees with procedures for child day care placements.

Data is gathered by one INFO LINE full time staff person, through telephone interview. A list of the licensed Child Day Care centers is provided by the Connecticut State Department of Health Services and the licensed Family Day Care Home list is provided by the Connecticut State Department of Human Resources. Data collected for each facility reflects name, address, phone number, ages served, number of days scheduled, hours, fees, criteria for sliding scale fees, school vacation scheduling, summer schedule, acceptance of handicapped, transportation provided, foreign languages spoken, evening shifts, and available openings. The information is entered on a computer and updated monthly. At the beginning of each month, a printed report in the form of a directory is provided to each corporation's child care representative. There are listings for approximately 250 licensed centers

and 550 licensed homes for the 38 towns in the North Central region of Connecticut. These facilities are indexed according to the town in which the facility is located; also according to the services they provide.

Under the terms of the agreement, the monthly updated Child Care I&R Directory is also made available to the North Central INFO LINE, the comprehensive generic telephone I&R service for that region. In this manner, child care information and referral service is made available to the general public without charge.

Funding for the program is provided by the participating corporations and the individual corporate share is apportioned according to the number employed at each company. The pilot program ran for one year and was renewed to continue, with a fifth corporation (Aetna Life & Casualty) joining the consortium. Based upon the total number employed at the five corporations, the annual average cost to the consortium for child day care benefits averages \$1.10 per employee. Need we ask, "Why I&R is the corporate way to go for child day care services?"

I&R offers the most cost effective mechanism for providing employees with child day care support. It is a low budget service which serves the needs of all personnel, without exception, regardless of income. The directory contains all the information which is relevant to decision making for parents choosing child day care. All available alternatives for such care are described so that the various options can be considered. Parents make choices on the basis of knowledge of the system and they can select care which most closely satisfies the individual need of parent and child.

In addition, data generated from an I&R system provides planners with documented information concerning services as well as gaps in the system. An analysis of the data readily reveals scarce resources, such as the limited availability of slots to serve Infants & Toddlers at affordable fees. Observed from this data, is that services for this age group range from a low of \$35 per week for state subsidized facilities to \$90 per week at private for

profit centers. Openings, for the most part, occur at facilities charging the highest fees and are out of reach for most parents. This is a problem that warrants further study for better solutions. Cash subsidies or voucher systems might be considered to defray high costs -- utilizing the Polaroid model previously cited.

New trends in day care services include Before & After School services. A comparison of openings in successive monthly reports reveals that openings are repeatedly present. Openings are not always related to higher fees and the data infer that an analysis of the needs of this age group would be valuable in order to appropriately serve children after school so they are not left unattended.

Parent education seminars are provided to employees of the corporations in conjunction with I&R child care service. Under the leadership of a professionally trained early childhood education specialist, a series of seminars are scheduled to provide guidance for selection of day care options, and may take the form of information exchange, support groups, dealing with stress, and other family issues pertinent to the working parent. Parent education and I&R are mutually enhanced when used together. There is additional awareness of the availability of the data and opportunities to explore options are maximized for an effective child day care process.

Parent education seminar programs are another low cost option for corporations. They are usually scheduled during the noon lunch hour without interference with work schedules and are available to all employees.

INFO LJNE statistics reveal that requests for child day care I&R service increased by 38 percent (402 calls, compared to 250 calls) in the six month period since the computerized data became available.

Why I&R? For the reasons previously stated, I&R satisfies the corporate need to serve their employee parent constituency. It provides potential savings resulting from reduced absenteeism and turnover. It is an advantage in recruitment of skilled staff.

I&R is the parent's point for entry into child day care services. Child day care problems are not an isolated issue. In an I&R context, it is not a threat to employment. It is a place to go for help.

The Corporate Consortium for Child Care in Hartford serves as a model for efficiency. They use a shared cost in the formation of a consortium. They utilize existing community services. They merge public and private funding and services. I&R is a primary step for corporate child day care involvement.

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